

# 2009 IFRS Results

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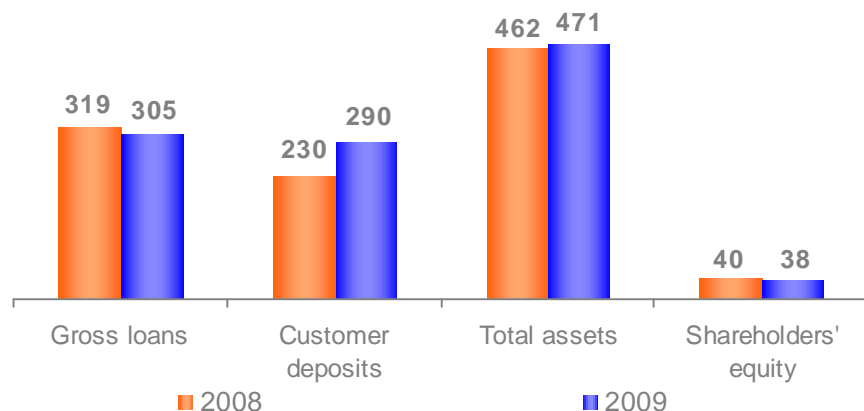
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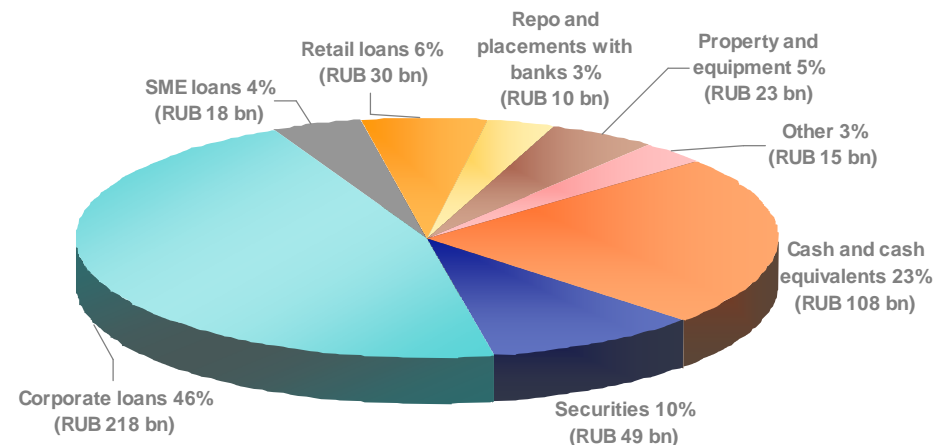
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## Key events 2009-early 2010

Key balance sheet items (RUB bn)

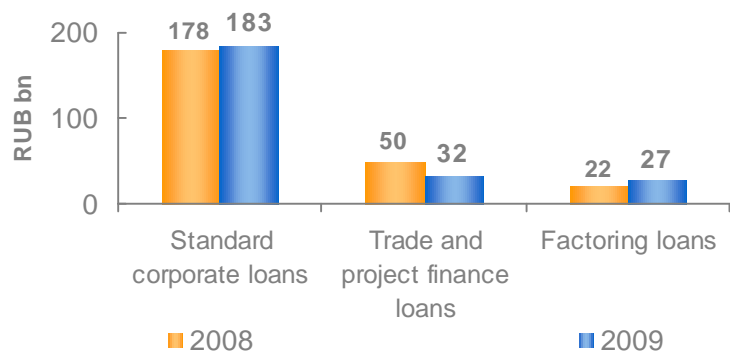


Assets structure

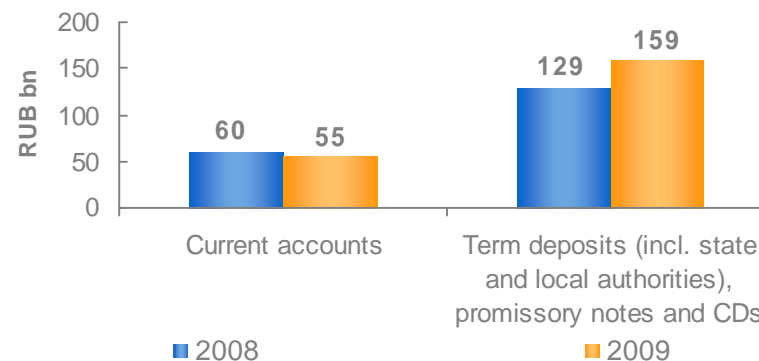


- § PSB became a TOP-10 Russian bank in terms of assets
- § PSB was awarded “Bank of the Year 2009” (Banki.ru\*)
- § PSB is # 1 in the Russian factoring market (33.7% market share - "Expert RA")
- § Strong liquidity position during 2009:
  - i) prepaid 2 syndicated loans due in 2009
  - ii) prepaid anti-crisis funding from CBR in Q 1 2009
  - iii) passed on 3 put option on domestic bonds
- § PSB received approval for 4 bn RUB subordinated loan from VEB but decided not to take it up and remained independent from government
- § PSB was the only Russian bank which was able to place subordinated debt on the public market in 2009 (USD 200 mln)
- § In February 2010 CBR registered new share issue. EBRD became a new shareholder with an 11.75% stake, the share of Commerzbank remained the same - 15.32%

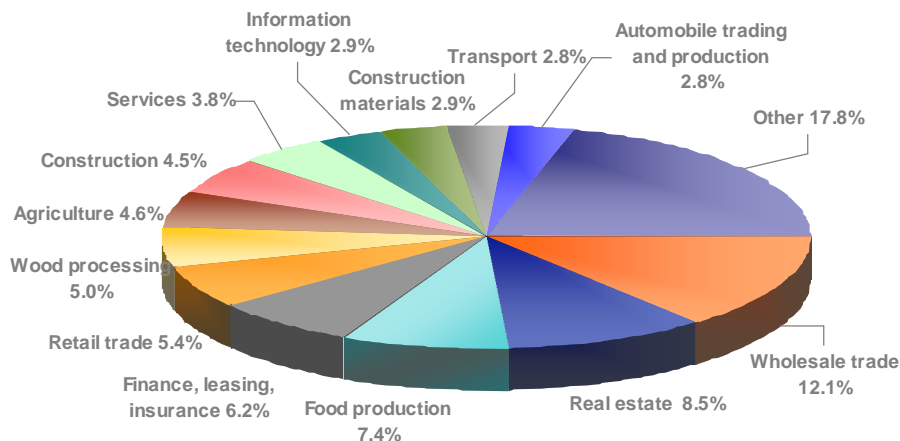
## Corporate loans



## Corporate funding



## Diversification by industry



### Corporate lending

§ PSB continues active credit underwriting in factoring - total factoring funding provided was more than 85 bn RUB to customers in 2009

§ Good diversification of the economic sector

§ Shift to quality borrowers, new tier 1 customers

§ Decreased share of loans to development (from 9.3% to 8.5%) and construction industry (from 6.4% to 4.5%)

§ Loan to value ratio\* ~ 63%, 40% of loans are collateralized by real estate

§ Rescheduled corporate loans ~ 30%, renegotiated loans (that would otherwise be past due date) ~ 4.5%

### Corporate funding

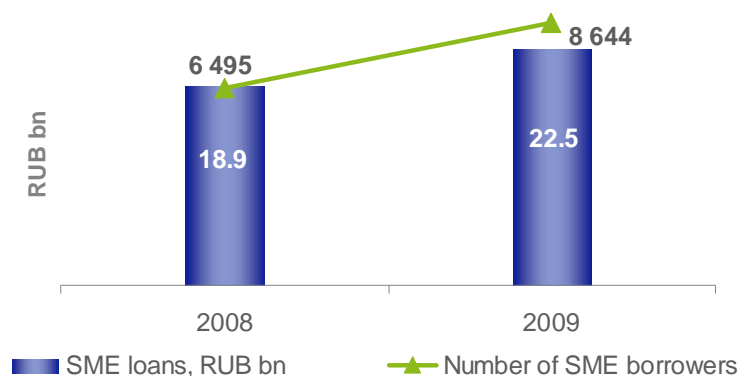
§ Shifted client managers' focus from loans to deposits in 2009

§ In Q4 2009 a large influx of customer deposits

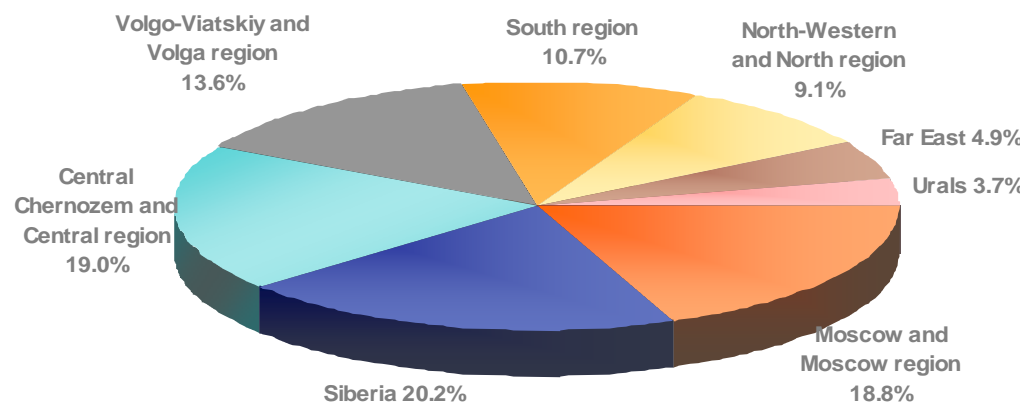
§ Number of corporate deposits – increase from 1,259 to 1,911 (52%)

\* LTV = loan amount divided by the collateral value (calculation of FV is based on crisis time market prices)

### SME loans



### Diversification by geographic region



§ 19% growth of SME loans

§ Amount of SME loans granted in Q 4 2009 more than doubled compared to Q 4 2008

§ PSB is among the top-5 SME lenders in Russia based on the loans issued in 2009 (Expert RA)

§ Total SME loans issued in 2009 were nearly 22 bn RUB, PSB strengthened its market position in this segment

§ Increased share of SME business in PSB operating income (from 3.2% to 8.6%)

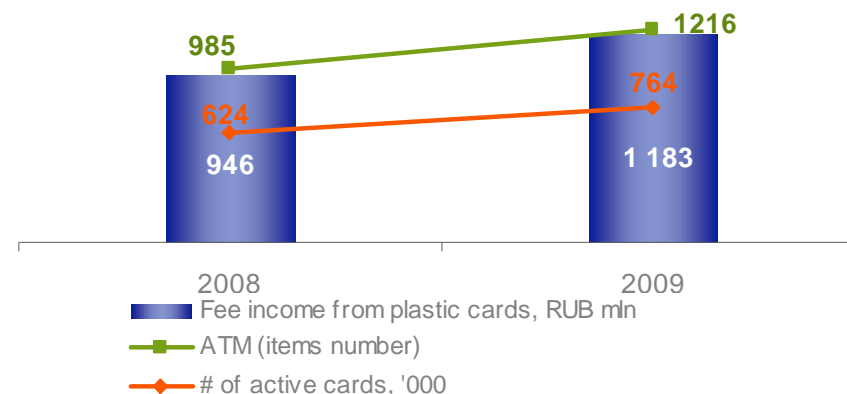
§ Strong geographic diversification of SME loan portfolio

§ Strategic focus on SME business, especially on medium sized companies

# Retail loans and funding



## Plastic card business and fee income



### Retail lending

§ Continuing shrinkage of retail lending due to the stopping of mass market lending programs and limited volumes of new retail loans granted to existing customers (loyalty program)

§ Centralization of (i) lending process, (ii) risk-management, and (iii) underwriting and improvement in collection

§ Effective restructuring program for retail customers (near 11% of retail loan portfolio)

§ Fully reorganized credit procedures for mass retail lending program in the 2nd half 2010

### Retail funding

§ 80% growth in retail deposits during 2009, the highest growth rate among Russian banks

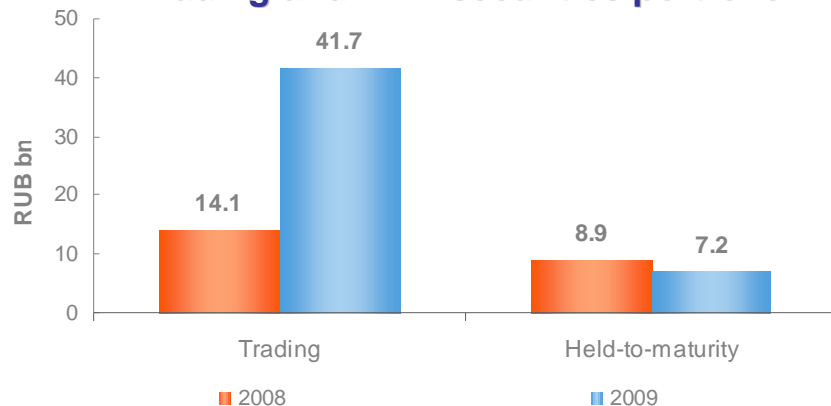
§ The growth was driven by the (i) efficiency of PSB deposit products, (ii) wide branch network, (iii) active marketing in 2008, and (iv) increase in brand recognition

§ Over 1.1 million retail customers

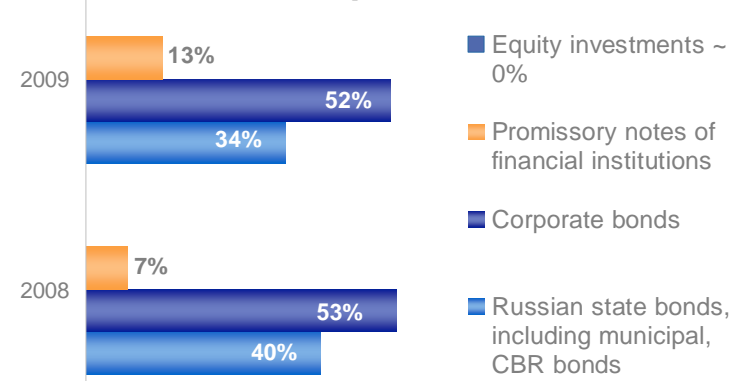
§ Share of private banking in retail deposits ~ 40% (36% at the YE 2008)

§ Ranked # 8 in Russia by retail deposits as of 1 April 2010 (RBC.Rating)

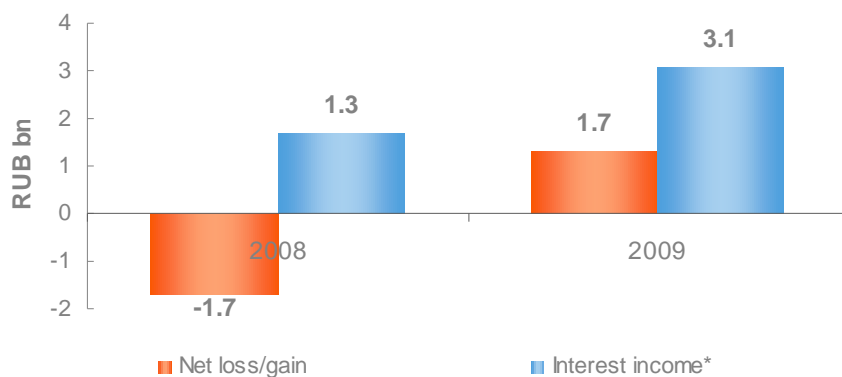
### Trading and HTM securities portfolio



### Securities portfolio structure

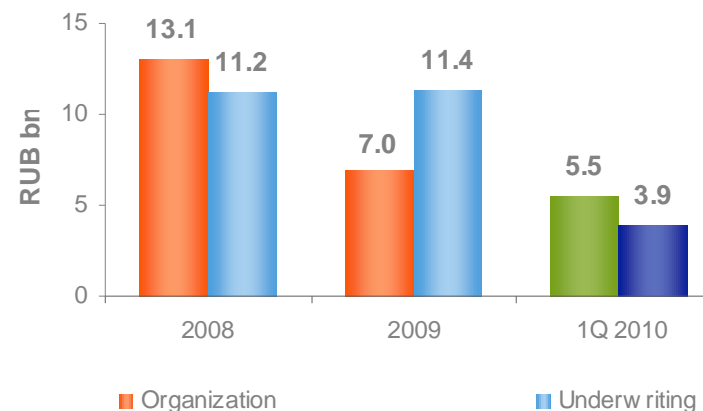


### Securities book: inherent volatility



\* - including interest income of HTM securities

### Underwriting activity



§ Ranked # 4 in Russia in IB dealing 2009 (MICA\*)

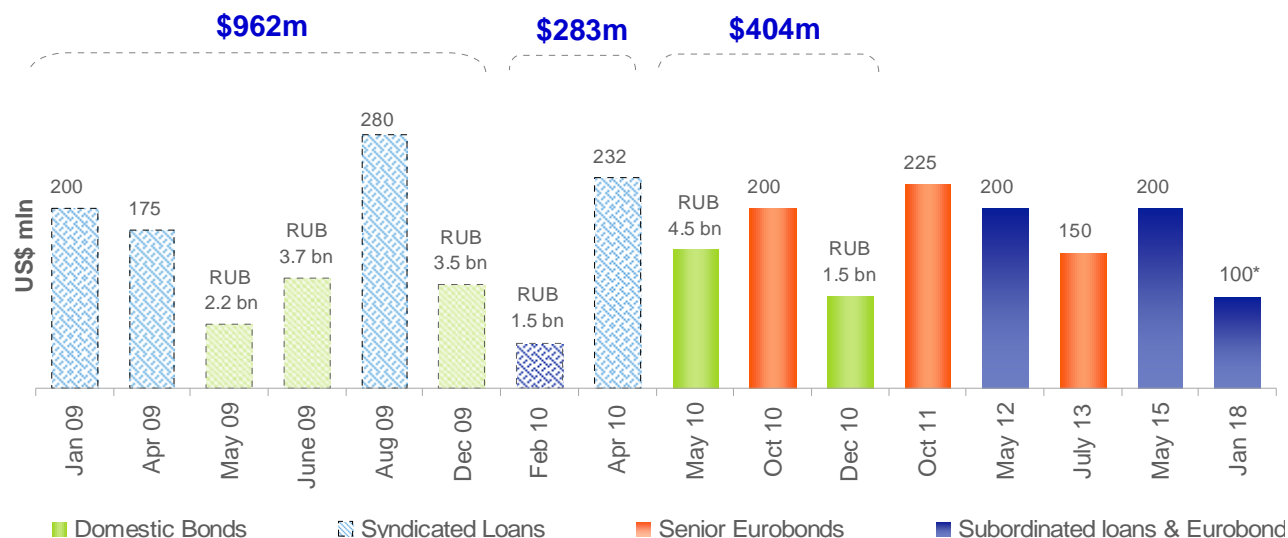
§ PSB ranks among TOP-10 fixed income operators (YE 2009) and 3<sup>rd</sup> largest OFZ repo operator (MICEX, March 2010)

\* MICA – Moscow International Currency Association

# Capital markets: reduced dependence on market funding



Redemption schedule of significant public borrowings



\* PSB call option 01/2013

## 2009 Results

- § Despite difficult markets in 9M 2009, PSB was able to conclude international funding deals (US\$ 30 mln loan from KfW, guaranteed by VEB, and US\$ 60 mln loan from EBRD)
- § In November 2009 PSB issued US\$ 200 mln subordinated Eurobond due in 2015
- § In February 2010 PSB prepaid subordinated loan in the amount RUB 1.5 bn
- § In April 2010 PSB repaid Tranche B of syndicated loan received from a group of international banks

# Financial performance

# 2009 Financial highlights



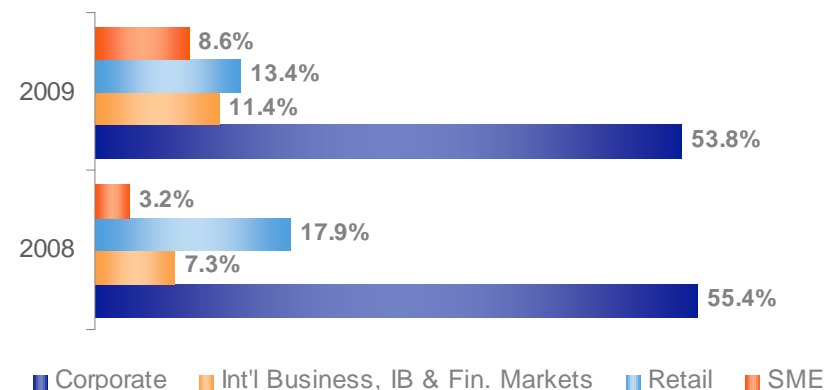
## Positive trends

- § **Strong revenue-generating capacity, operational profitability**  
 Operating income increased by 20.6% YoY  
 Profit before tax and provisions up 31.8% YoY to RUB 20.3bn  
 Net interest income up 16.5% YoY  
 Net fees & commissions up 18.6% YoY  
 Net interest margin remains at the level of 2008 - 6.5-6.6%
- § **Effective overheads controls**  
 Cost-to-income (CTI) down to 39.0% from 43.8% at YE 2008
- § **Solid liquidity**  
 Net loans to deposits improved from 131% to 92% at YE 2008  
 Liquid assets made up 33% of total assets
- § **Improved capital adequacy**  
 TCAR up by 1.2 p.p. to 14.3% from 13.1% at YE 2008, Tier 1 rose to 9.9%.

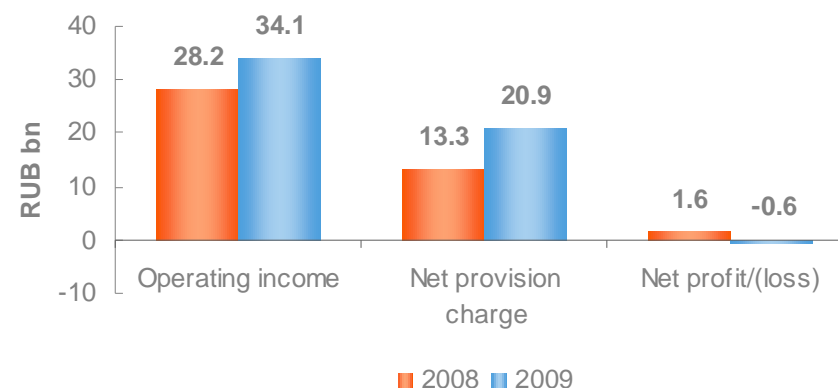
## Negative trends

- § **Loan quality deterioration**  
 NPL up to 12.3% of gross loans, from 2.8% at YE 2008; however the rate of growth has significantly slowed down – in 2<sup>nd</sup> H 2009 NPL growth was 45% less than in 1<sup>st</sup> H 2009 (in absolute amounts)  
 Impairment charges made up 61% of operating income against 47% in 2008
- § **Increased pressure on NIM in 4Q 2009 will continue in 1<sup>st</sup> H 2010**
- § **Net loss for the year (RUB 626 mln)**

## Share of business lines in operating income



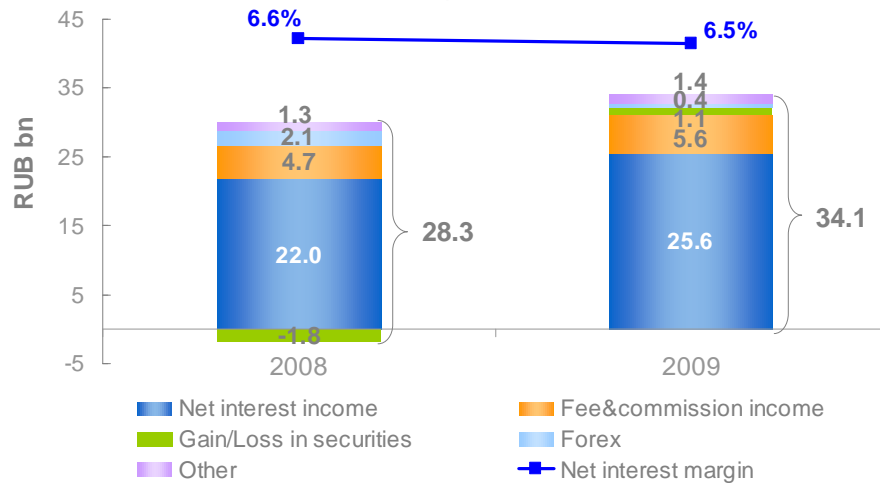
## Key profitability indicators



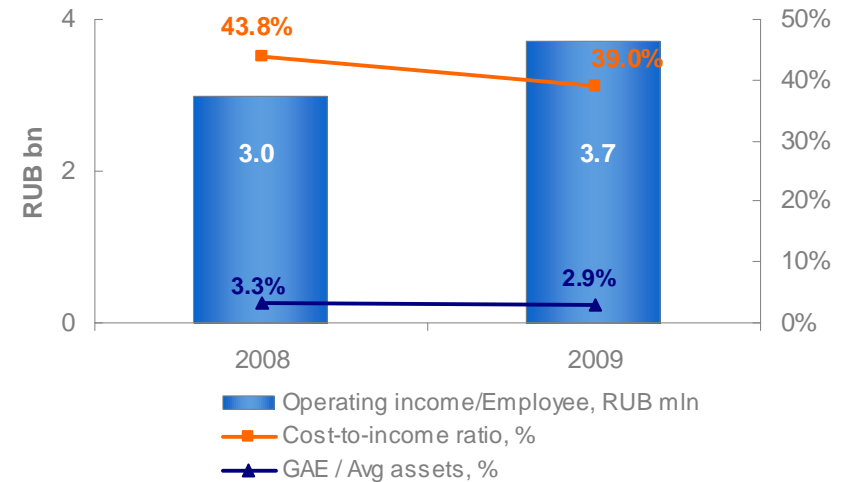
# Profitability and efficiency



### Operating revenue

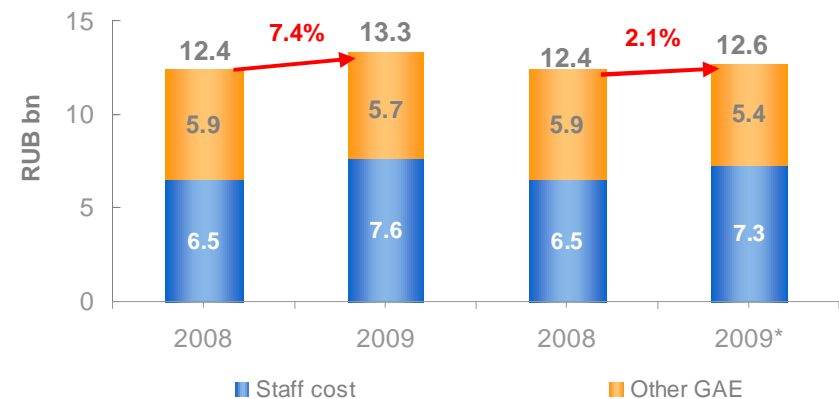


### Operating efficiency



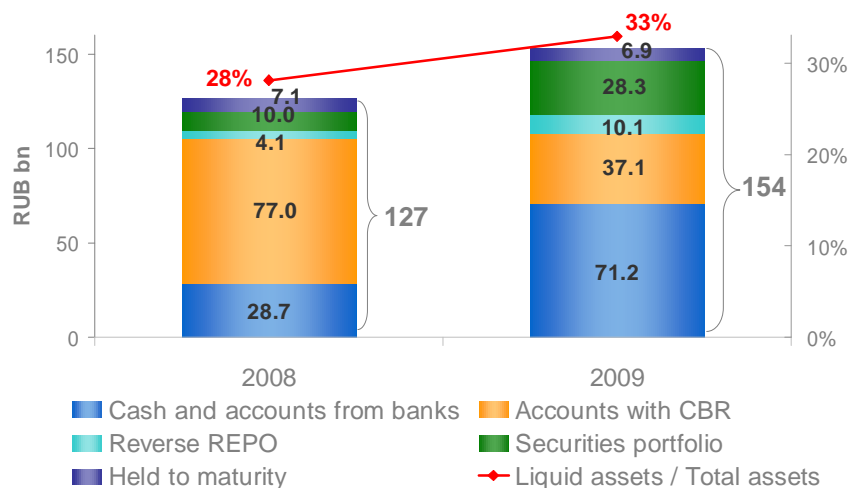
- § Good revenue dynamics and stable level of net interest margin
- § Fee and commission income are well-diversified by source and shows strongly growth
- § During 2009 PSB significantly improve securities trading financial results compared to losses in 2008
- § General and administrative expenses tightly controlled despite a slightly increased number of staff at YE 2009, optimization programs are in place
- § Staff productivity significantly improved
- § 2/3 increase in general and administrative expenses was attributable to the consolidation of subsidiary banks (which were not included in the consolidated PL 2008)

### GAE analysis



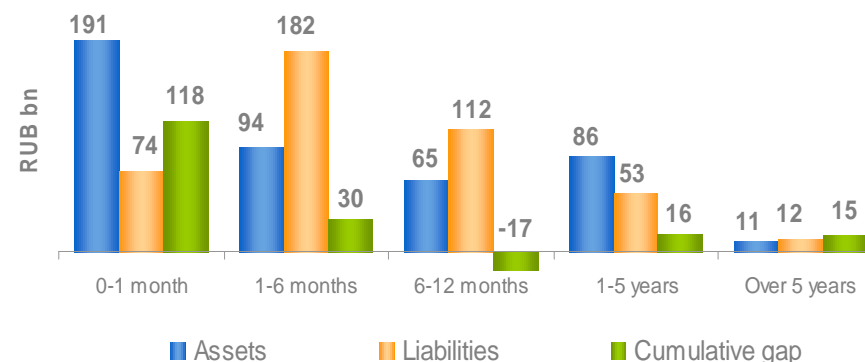
\* GAE net of consolidated banks effect

### Structure of liquid assets



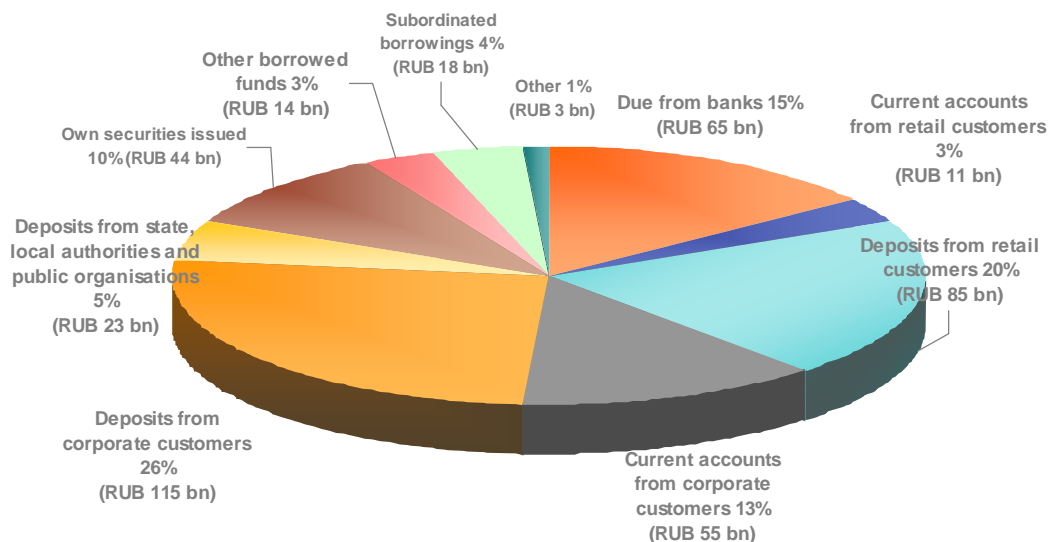
Note: Liquid assets with maturities of up to one month

### Maturity structure of assets and liabilities (at the year end 2009)

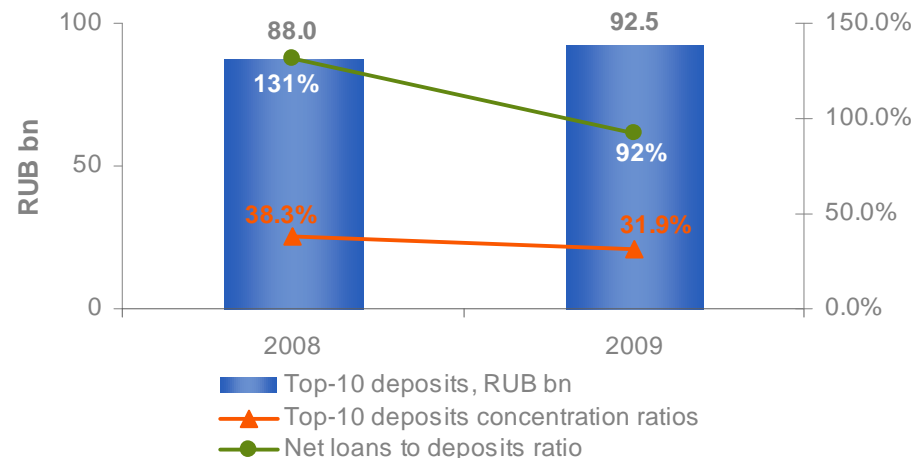


- § Liquidity risk has sharply decreased since Q 4 2008, backed by timely state support for the banking system
- § Since Q1 2009, PSB has not been using anti-crisis funding from the state; unutilized credit limits with state bodies represent a contingency reserve of liquidity
- § Increase in liquid assets due to a large inflow of customer deposits in Q4 2009 caused by excess liquidity in the Russian economy
- § Maintenance of adequate liquidity – main issue for 2009
- § From Q1 2010 focus will change to strengthening of profitability

### Funding mix 2009

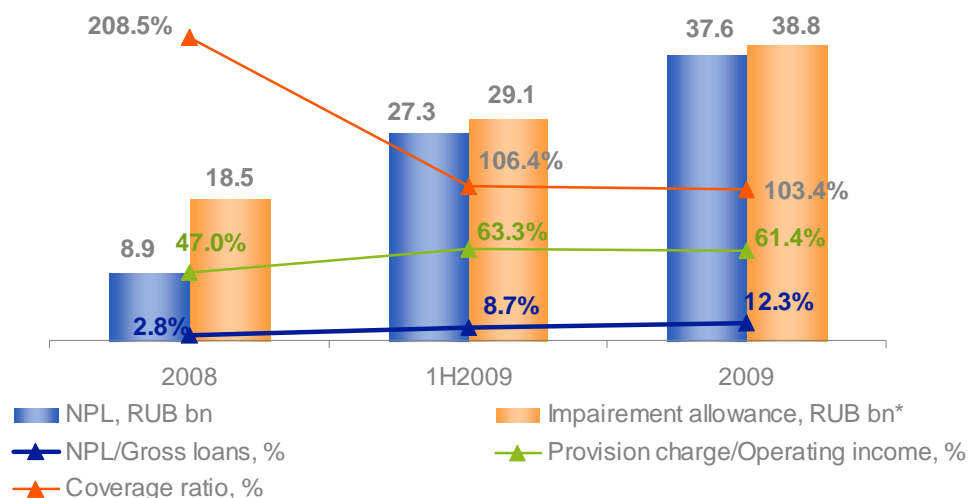


### Deposits concentration



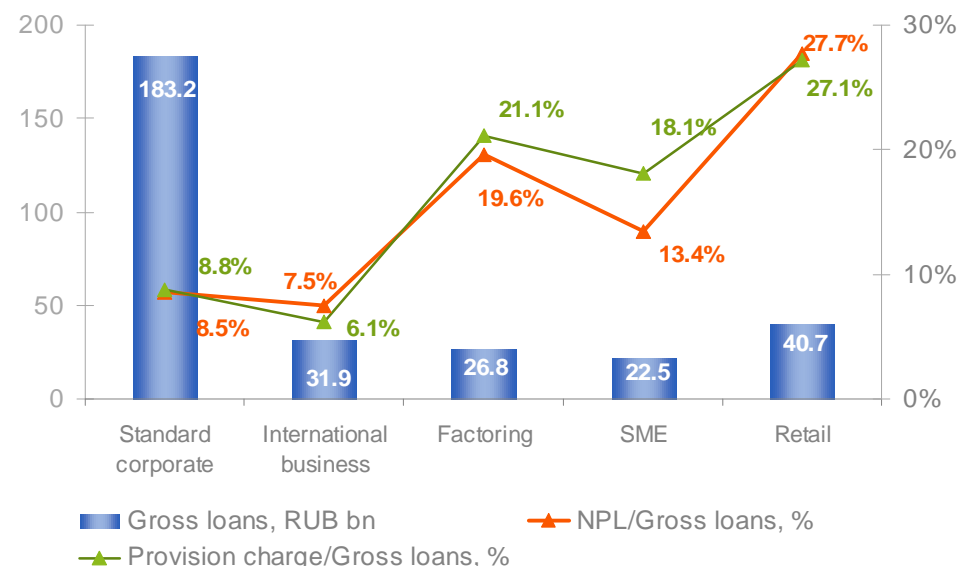
- § Improvement of diversification of funding sources, more balanced funding structure
- § An increasing share of customer deposits in total liabilities (67% at YE 2009 vs. 54% at YE 2008)
- § An increasing share of retail depositors in total liabilities from 13% at YE 2008 to 22% at YE 2009
- § Decrease of 10 largest depositors concentration
- § Significant improvement of Net loans to customer deposits ratio
- § Reduced dependence on funding from foreign markets (23% at YE 2009 vs. 27% at YE 2008)

### NPL\* and provisioning



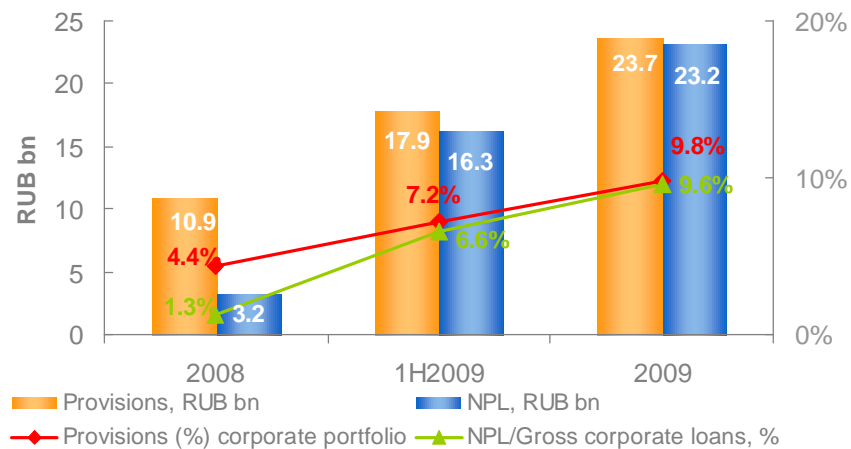
\*Collateral is included in the calculation of impairment allowance level

### Breakdown by loan category (by the end 2009)

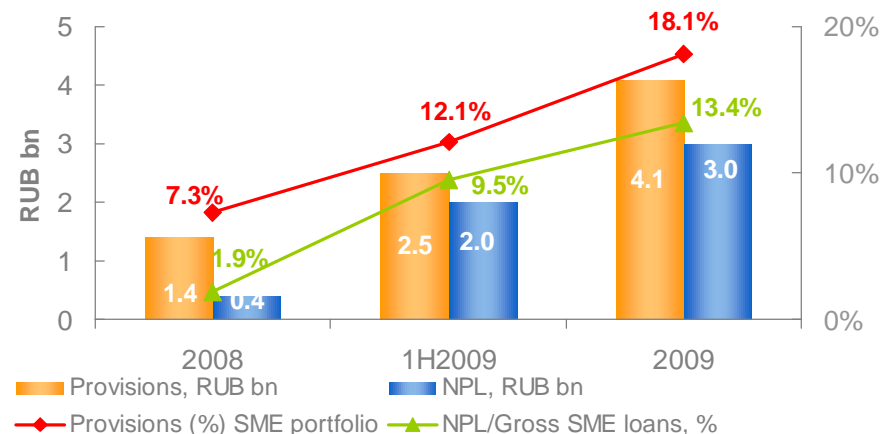


- § Provisioning charge for impairment losses was the single largest negative P&L driver in 2009
- § NPL growth decelerated in 2<sup>nd</sup> H 2009 - growth was 37% in the 2<sup>nd</sup> half 2009 vs. 3 times increase during the 1<sup>st</sup> half 2009. In absolute terms the growth in 2<sup>nd</sup> H 2009 was 45% less than in 1<sup>st</sup> H 2009
- § Most problems in the SME and retail loans book have already materialized
- § PSB management expects further slight NPL growth driven by corporate loans with peak at the end of 1<sup>st</sup> H 2010
- § PSB maintains NPL coverage over 100%, conservative provisioning in crisis times implies write-backs/recoveries when the economy improves
- § Recovery rates: corporate loans ~ 20%, SME ~ 14% (excepted level 20%) , Retail ~ 10% (area for further improvement)

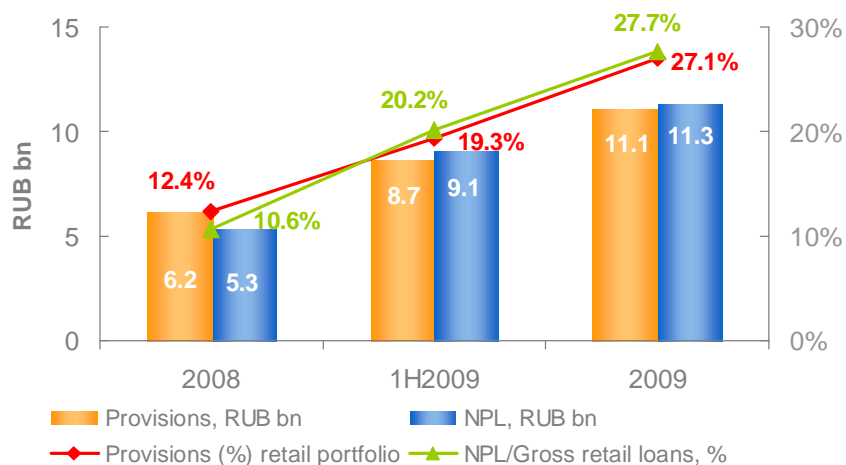
## Corporate NPL and provisioning



## SME NPL and provisioning

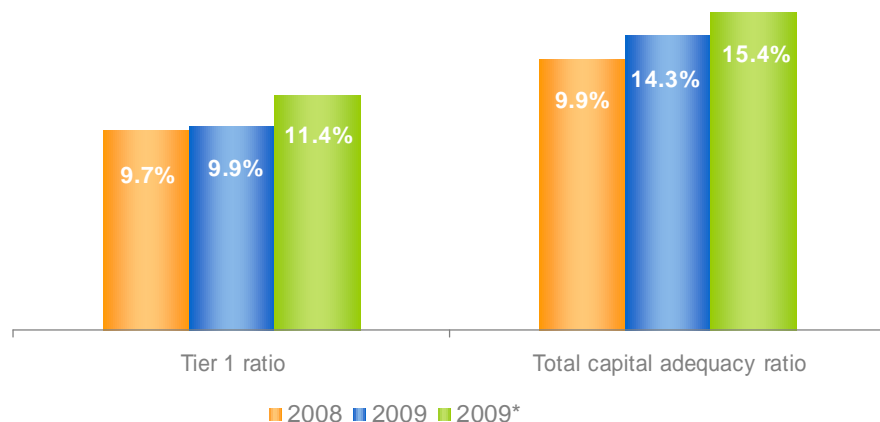


## Retail NPL and provisioning



- § Main part of problem loans were identified during 2009 but further slight growth of NPL in corporate loans is expected in 1<sup>st</sup> H 2010
- § Growth of NPL and provisioning has significantly decelerated in 2<sup>nd</sup> H 2009 (both in % and in absolute amounts)
- § NPL level in new SME loans issued after November 2008 is below 3%

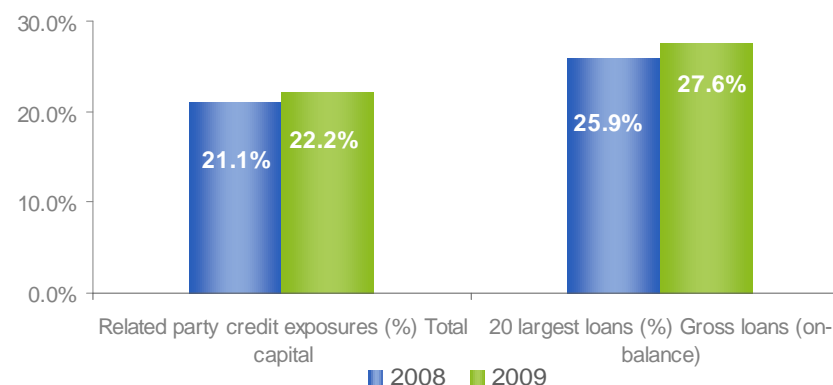
## Capital adequacy as per Basel Accord



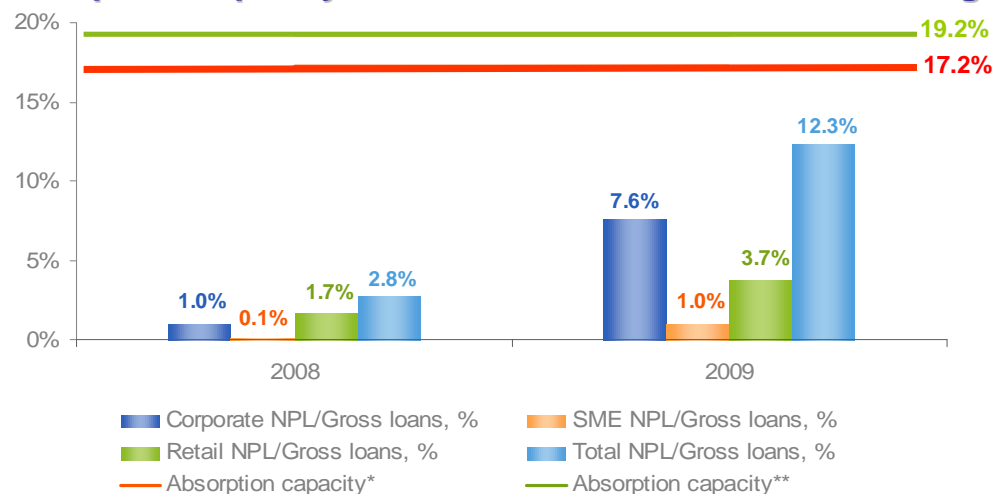
\* If new share capital issue took place at YE 2009

- § At YE 2009, 90% of BS equity was core capital (share capital + share premium + retained earnings)
- § High Tier-1/Total capital ratio gave PSB leeway to increase tier-2 capital
- § The new share issue, placed with EBRD and Commerzbank, provides for an increase in tier 1 capital in the total of RUB 5.4 bn (completed in February 2010)
- § PSB could absorb 17.2% level of NPLs while keeping TCAR above 12% (or 19.2% if new share issue took place at YE 2009)

## Related-party loans and single-party concentration



## Absorption capacity at CAR 12% and 100% NPL coverage



\* Absorption capacity at TCAR at YE 2009

\*\* Absorption capacity at TCAR at if new share capital issue took place at YE 2009

## **Q&A session**

**Thank you for your participation!**